

## MACRO: Export bans exacerbating food insecurity

- India is the latest in a series of countries to introduce export controls to protect domestic food supplies and tackle runaway food price inflation.
- The growing number of export bans threatens to exacerbate global food insecurity and spread into other agri-food segments, pushing up prices for other grains and cereals, especially in the months ahead.
- Import-dependent, emerging markets, especially across Sub-Saharan Africa and MENA, will be most vulnerable to price inflation and shortages; ongoing conflict and rising hunger levels could increase the risk of unrest.

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India is the [latest country](#) to enact protectionist agricultural trade measures banning wheat exports from 13 May, with a few exceptions. This is yet another example of a growing trend of export curbs, with nearly 50 export curbs introduced this year on food and fertilizer, and more than 40 of these since the start of Russia's invasion of Ukraine. Food inflation and insecurity are sharply on the rise, driven by Covid-19-related supply chain disruptions, extreme climate events over the past year that have impacted crop yield in numerous countries, and the added strain of significant disruptions to grain, oilseeds, and fertilizer exports stemming from the Ukraine war.

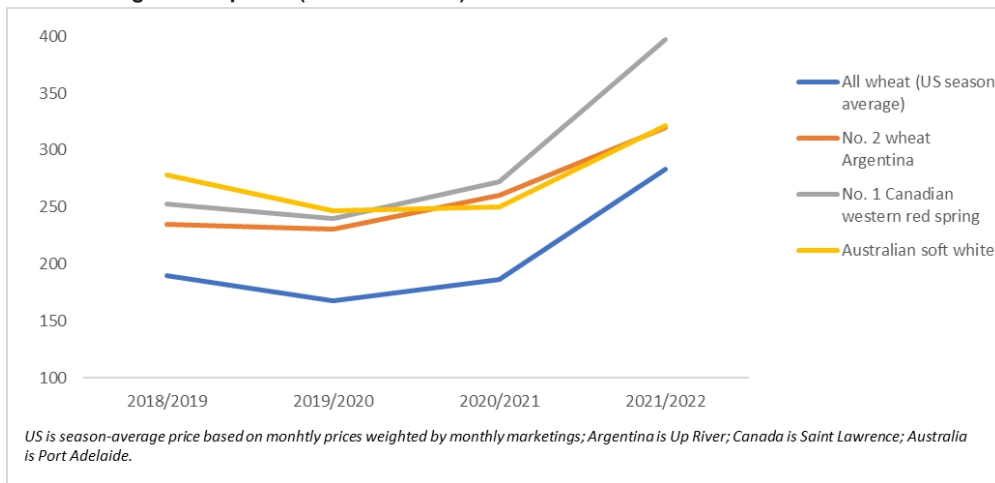
On the back of news of India's ban, wheat futures in Chicago increased nearly 6% in trade on 16 May to the highest level in two months. While such measures are intended to tackle food availability and runaway inflation in the domestic market, they will have more far-reaching and damaging consequences for global food trade and price inflation. Certain emerging markets, particularly across Africa and MENA, are the most vulnerable given the size of import dependence on grains and edible oils and, in some cases, the presence of ongoing conflicts. They are most prone to high rates of food insecurity and growing risks of social or political unrest.

### Protectionist measures on the rise

As food prices continue to soar, additional instances of protectionist measures across food commodities can be expected. India is far from alone in its latest move: Russia has restricted wheat and sunflower oil shipments, among other commodities; Ukraine limited exports of some food staples; Indonesia, the world's largest edible oils exporter, imposed a blanket ban on palm oil exports amid domestic cooking oil shortages; Argentina has banned certain beef exports until 2023; and Kazakhstan has restricted wheat and wheat flour exports following a 30% surge in domestic prices. Meanwhile, China has vast stockpiles of wheat — estimated to reach more than 50% of the world's total wheat storage by mid-year — but is not using these reserves at present to support global market balancing efforts.

These measures are exacerbating market concerns as certain crop yields have underperformed this year, and prices for other commodities are steadily rising due to uncertainty and supply chain issues (see graph illustrating rising wheat prices). The Ukraine war has made a difficult situation far worse. Ukraine is now having to depend on less efficient, lower-capacity overland routes for exports rather than Black Sea ports. An estimated 20 million tonnes of wheat are sitting in grain silos in the country, unable to be exported.

## US and foreign wheat prices (USD/metric ton)



Source: USDA data run on 5/13/2022

Shortages and trade restrictions in food and other agricultural commodities, including wheat, fertilizer, and soybeans, are starting to drive some countries to turn to substitutes. In Southeast Asia, this is already apparent with rising rice demand. Food inflation in Indonesia may drive more rice importation, and Thailand may be forced to divert more rice to meet domestic demand. Such trends could have knock-on effects that are noticeable as soon as this summer, with inflation and shortages starting to hit other grain and cereal markets more profoundly.

The WTO has argued against export bans since early in the pandemic. Many other multilateral institutions, including the UN, IMF, and World Bank, have called for urgent, coordinated action on food security and an end to export bans with little impact to date. The EU and US are currently holding talks in Paris on cooperation through the joint Trade and Technology Council to address the security of food and agricultural commodities supply. The two parties intend to explore supply chain diversification, including for fertilizer, and ways to tackle the growing number of agri-food export bans.

### Certain EMs most exposed to food insecurity and unrest

As detailed across an [ongoing series of notes](#) on food inflation and market disruptions, certain emerging markets across Sub-Saharan Africa and MENA are most exposed to these shocks due to high dependence on grain imports from Ukraine and Russia, difficulty securing alternative supplies, and inability to pay surging prices, particularly given a lack of discretionary spending among consumers.

In Africa, several countries, including Tanzania, Uganda, Sudan, and Cameroon, relied on Ukraine and Russia for a significant share of wheat imports before Russia's invasion of Ukraine. A severe drought across Horn of Africa countries has already heightened regional food security challenges. Across Africa, governments have little capacity to manage inflationary surges, and socio-economic fallout has rekindled concerns about destabilization and 'African spring' events.

In MENA, drought across the region has led to poor winter cereal production from Morocco and Algeria to Syria and Iraq. Economic and social challenges in Tunisia and political gridlock in Lebanon increase the vulnerability of both markets to rising prices and food shortages. Libya, Syria, and Yemen are particularly at risk due to ongoing conflict, rising costs, and growing difficulty for food assistance programs to meet food supply gaps (further afield, similar issues are plaguing Afghanistan too). The recent history of political unrest in MENA provides a barrier to serious, near-term instability stemming from food insecurity. Still, strikes and protests across the region could be on the rise.

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